

C A N A D A

PROVINCE OF QUEBEC
DISTRICT OF TERREBONNE

NO: 700-06-000012-205

SUPERIOR COURT
(Class Actions)

LEVY, [REDACTED]

Applicant

vs.

LOOP INDUSTRIES INC., legal person having its head office at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

LOOP CANADA INC., legal person having its head office at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

LOOP INDUSTRIES INC., legal person having its head office at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

DANIEL SOLOMITA, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

JAY STUBINA, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

LAURENCE SELLYN, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

ANDREW LAPHAM, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

and

NELSON GENTILETTI, having his place of employment at 480 Fernand-Poitras Street, Terrebonne, district of Terrebonne, Quebec, J6Y 1Y4

Defendants

**APPLICATION FOR AUTHORIZATION OF A CLASS ACTION AND FOR
AUTHORIZATION TO BRING AN ACTION PURSUANT TO SECTION 225.4 OF THE
QUEBEC SECURITIES ACT**

**TO ONE OF THE HONOURABLE JUDGES OF THE SUPERIOR COURT, SITTING IN
AND FOR THE DISTRICT OF TERREBONNE, YOUR APPLICANT STATES:**

1. Applicant wishes to institute a class action on behalf of the following class of which he is a member, namely:

Class:

All persons and entities that acquired LOOP Industries Inc. securities during the Class Period.

or any other Class to be determined by the Court;

I. THE DEFENDANTS

2. The Defendant, Loop Industries Inc. (hereinafter "LOOP") is a publicly traded corporation on the NASDAQ (stock symbol LOOP);

3. LOOP's head office is at 480 Fernand-Poitras Street, Terrebonne, in the judicial district of Terrebonne, in the province of Quebec, as it appears from the Quebec Business Registry, **Exhibit P-1**, as well as LOOP's public filings with the United States Securities and Exchange Commission, **Exhibit P-2**;
4. All of LOOP's business operations and decision-making take place in the judicial district of Terrebonne, in the province of Quebec;
5. The Defendant, Loop Canada Inc., is a subsidiary of LOOP, with its head office at 480 Fernand-Poitras Street, Terrebonne, in the judicial district of Terrebonne, in the province of Quebec, as it appears from the Quebec Business Registry, **Exhibit P-3** (as well as from LOOP's Securities and Exchange Commission filings, Exhibit P-2);
6. The remaining Defendants are directors and/or officers of LOOP;

II. THE ISSUE

7. On October 13, 2020, several media outlets published articles stating that LOOP's business "is smoke and mirrors" and that LOOP was inflating its technological capabilities;
8. One such article appearing in the Business Insider and communicated herewith as **Exhibit P-4** reported the following:

In a report released on Tuesday, Hindenburg Research alleged that Loop Industries was peddling plastic-recycling technology that didn't work.

...

Hindenburg said that "in other words, the company claims to have discovered how to turn worthless trash into pure gold, a feat that multi-billion chemical companies such as DuPont, Dow Chemical, and 3M have been unable to achieve on a large scale despite years of efforts."

Hindenburg said that Loop Industries had never generated any revenue and that nothing had materialized from its announced partnerships.

The firm said that it didn't expect Loop Industries to "generate any meaningful revenue" and that it saw 100% downside potential in the stock.

9. The Hindenburg Report, communicated herewith as **Exhibit P-5**, notably states the following:

- Loop Industries has never generated revenue, yet calls itself a technology innovator with a “proven” solution that is “leading the sustainable plastic revolution”. Our research indicates that Loop is smoke and mirrors with no viable technology.
- As part of our investigation, we interviewed former employees, competitors, industry experts, and company partners. We also reviewed extensive company documentation and litigation records.
- Former employees revealed that Loop operated two labs: one reserved for the company’s two twenty-something lead scientist brothers and their father, where incredible results were achieved, and a separate lab where rank-and-file employees were unable to replicate the supposedly breakthrough results.
- The two brothers who act as lead scientists for Loop and who co-invented Loop’s recycling process appear to have no post-graduate education in chemistry and list no work experience other than Loop.
- A former Loop employee told us that Loop’s scientists, under pressure from CEO Daniel Solomita, were tacitly encouraged to lie about the results of the company’s process internally. We have obtained internal documents and photographs to support their claims.
- Loop focuses on recycling a common form of plastic called “PET”. According to a former employee, Loop’s previous claims of breaking PET down to its base chemicals at a recovery rate of 100% were “technically and industrially impossible”. The same employee told us the company’s claims of producing “industrial grade purity” base chemicals from PET were false.
- According to litigation records, Loop’s CEO, Daniel Solomita hired a convict, who had previously pled guilty to stock manipulation, to help raise Loop’s startup capital. That convict introduced Solomita to another convict who facilitated Loop’s first investment.
- Solomita has no apparent formal science education but has a history of stock promotion at another publicly traded company that subsequently imploded.
- Executives from a division of key partner Thyssenkrupp, who Loop entered into a “global alliance agreement” with in December 2018, told us their partnership is on “indefinite” hold and that Loop “underestimated” both costs and complexities of its process.
- We contacted Loop’s other partners, including Coca-Cola and PepsiCo, most of whom refused to divulge whether any plastic had been recycled as part of their partnerships with Loop. Comments from Danone, owner of the Evian brand, suggested it had not bought any PET from Loop thus far. We suspect these partnerships have gone nowhere.
- Loop’s JV with PET and chemical company Indorama, promoted frequently over the last two years as an imminent revenue stream, is

“still being finalized”, according to an employee, despite being announced in 2018. An Indorama employee told us no production has taken place thus far.

- We expect Loop will never generate any meaningful revenue. With a market cap of ~\$515 million, we see 100% downside to Loop once it burns through its ~\$48 million in balance sheet cash.
 - We have submitted our findings to regulators.
10. At all relevant times during the Class Period, the Defendants made misrepresentations of material facts through affirmative false and/or misleading statements and through its failure to disclose the above;
 11. The Defendants, based out of and operating from Terrebonne, Quebec, duped investors, including the Applicant and caused them financial losses;

III. CONDITIONS REQUIRED TO AUTHORIZE THIS CLASS ACTION AND TO APPOINT THE STATUS OF REPRESENTATIVE PLAINTIFF

A) THE FACTS ALLEGED APPEAR TO JUSTIFY THE CONCLUSIONS SOUGHT:

12. On June 18, 2018, the Applicant purchased 300 shares of LOOP for \$10.15 USD per share (plus a \$9.99 USD commission), as it appears from **Exhibit P-6**;
13. The net transaction amount was \$3,054.99 USD;
14. Following the release of the Hindenburg Report on October 13, 2020, LOOP’s share price plummeted by 39% (closing on October 12, 2020 at \$11.61 and trading as low as \$7.13 on October 13, 2020);
15. At the time of writing, the Applicant’s 300 LOOP shares are now worth only \$2,304.00 USD, as it appears from **Exhibit P-7**;
16. At the time of his purchase the Applicant was unaware that LOOP had made misrepresentations, fabricated its business model and lied to the public and shareholders;
17. Applicant is entitled to and hereby does claim damages as a result of LOOP’s (and the other Defendants’) misrepresentation on his behalf and on behalf of all class members;

B) THE CLAIMS OF THE MEMBERS OF THE CLASS RAISE IDENTICAL, SIMILAR OR RELATED ISSUES OF LAW OR FACT:

18. By reason of LOOP’s unlawful conduct, the Applicant and Class members have suffered a prejudice, which they wish to claim;
19. Individual questions, if any, pale by comparison to the common questions that

are significant to the outcome of the present Application;

20. **The recourses of the Class members raise identical, similar or related questions of fact or law, namely:**

- a) Are class members entitled to damages and in what amount?

C) THE COMPOSITION OF THE CLASS

21. The composition of the Class makes it difficult or impracticable to apply the rules for mandates to take part in judicial proceedings on behalf of others or for consolidation of proceedings;
22. LOOP is a large corporation trading on the NASDAQ;
23. There are likely tens of thousands of class members who can sue in the province of Quebec pursuant to article 3148(1) CCQ;
24. Class members are very numerous and are dispersed across the province, across Canada and elsewhere;
25. These facts demonstrate that it would be impractical, if not impossible, to contact each and every Class member to obtain mandates and to join them in one action;
26. In these circumstances, a class action is the only appropriate procedure for all of the members of the Class to effectively pursue their respective rights and have access to justice without overburdening the court system;

D) THE CLASS MEMBER REQUESTING TO BE APPOINTED AS REPRESENTATIVE PLAINTIFF IS IN A POSITION TO PROPERLY REPRESENT THE CLASS MEMBERS

27. The Applicant requests that he be appointed the status of representative plaintiff for the following main reasons:
- a) He is a member of the Class and has a personal interest in seeking the conclusions that he proposes herein;
- b) He is competent, in that he has the potential to be the mandatary of the action if it had proceeded under article 91 of the *Code of Civil Procedure*;
- c) His interests are not antagonistic to those of other Class members;

IV. NATURE OF THE ACTION AND CONCLUSIONS SOUGHT

28. The action that the Applicant wishes to institute on behalf of the members of the Class is an action in damages;
29. The conclusions that the Applicant wishes to introduce by way of an originating

application are:

ALLOW the class action of the Plaintiff and the members of the Class against the Defendants;

CONDEMN the Defendants, solidarily, to pay the Plaintiff and the Class Members damages in an amount to be determined;

ORDER that the above condemnation be subject to collective recovery;

CONDEMN the Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action and **ORDER** that this condemnation be subject to collective recovery;

ORDER the Defendants, solidarily, to deposit in the office of this Court the totality of the sums which forms part of the collective recovery, with interest and costs;

ORDER that the claims of individual Class members be the object of collective liquidation if the proof permits and alternately, by individual liquidation;

CONDEMN the Defendants, solidarily, to bear the costs of the present action including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of experts required to establish the amount of the collective recovery orders;

RENDER any other order that this Honourable Court shall determine;

30. The interests of justice favour that this Application be granted in accordance with its conclusions;

V. JURISDICTION

31. The Applicant suggests that this class action be exercised before the Superior Court of the province of Quebec, in the district of Terrebonne, because all of the Defendants have their domicile there (art. 3148(1) CCQ).

FOR THESE REASONS, MAY IT PLEASE THE COURT:

AUTHORIZE the bringing of a class action in the form of an originating application in damages;

APPOINT the Applicant the status of representative plaintiff of the persons included in the Class herein described as:

Class:

All persons and entities that acquired LOOP Industries Inc. securities during the Class Period.

or any other Class to be determined by the Court;

IDENTIFY the principle questions of fact and law to be treated collectively as the following:

- a) Are class members entitled to damages and in what amount?

IDENTIFY the conclusions sought by the class action to be instituted as being the following:

ALLOW the class action of the Plaintiff and the members of the Class against the Defendant;

CONDEMN the Defendants, solidarily, to pay the Plaintiff and the Class Members damages in an amount to be determined;

ORDER that the above condemnation be subject to collective recovery;

CONDEMN the Defendants, solidarily, to pay interest and the additional indemnity on the above sums according to law from the date of service of the Application to authorize a class action and **ORDER** that this condemnation be subject to collective recovery;

ORDER the Defendants, solidarily, to deposit in the office of this Court the totality of the sums which forms part of the collective recovery, with interest and costs;

ORDER that the claims of individual Class members be the object of collective liquidation if the proof permits and alternately, by individual liquidation;

CONDEMN the Defendants, solidarily, to bear the costs of the present action including the cost of exhibits, notices, the cost of management of claims and the costs of experts, if any, including the costs of experts required to establish the amount of the collective recovery orders;

RENDER any other order that this Honourable Court shall determine;

DECLARE that all members of the Class that have not requested their exclusion, be bound by any judgement to be rendered on the class action to be instituted in the manner provided for by the law;

FIX the delay of exclusion at thirty (30) days from the date of the publication of the notice to the members, date upon which the members of the Class that have not exercised their means of exclusion will be bound by any judgement to be rendered herein;

ORDER the publication of a notice to the members of the Class in accordance with article 579 C.C.P. within sixty (60) days from the judgement to be rendered herein in the “News” sections of the Saturday editions of the Journal de Montréal and the Montreal Gazette;

ORDER that said notice be published on LOOP’s website, Facebook page and Twitter account, in a conspicuous place, with a link stating “Notice of a Class Action”;

ORDER the Defendants to send an Abbreviated Notice by e-mail to each Class member, to their last known e-mail address and physical address, with the subject line “Notice of a Class Action”;

RENDER any other order that this Honourable Court shall determine;

THE WHOLE with costs including publication fees.

Montreal, October 13, 2020

(s) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran

Attorney for the Applicant

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SUMMONS
(ARTICLES 145 AND FOLLOWING C.C.P)

Filing of a judicial application

Take notice that the Applicant has filed this Application for Authorization to Institute a Class Action and to Appoint the Status of Representative Plaintiff in the office of the **Superior Court of Quebec** in the judicial district of **Terrebonne**.

Defendant's answer

You must answer the application in writing, personally or through a lawyer, at the courthouse of **Saint-Jerome situated at 25, rue de Martigny Ouest Saint-Jérôme (Québec), J7Y 4Z1**, within 15 days of service of the Application or, if you have no domicile, residence or establishment in Québec, within 30 days. The answer must be notified to the Applicant's lawyer or, if the Applicant is not represented, to the Applicant.

Failure to answer

If you fail to answer within the time limit of 15 or 30 days, as applicable, a default judgement may be rendered against you without further notice and you may, according to the circumstances, be required to pay the legal costs.

Content of answer

In your answer, you must state your intention to:

- negotiate a settlement;
- propose mediation to resolve the dispute;
- defend the application and, in the cases required by the Code, cooperate with the Applicant in preparing the case protocol that is to govern the conduct of the proceeding. The protocol must be filed with the court office in the district specified above within 45 days after service of the summons or, in family matters or if you have no domicile, residence or establishment in Québec, within 3 months after service;
- propose a settlement conference.

The answer to the summons must include your contact information and, if you are represented by a lawyer, the lawyer's name and contact information.

Change of judicial district

You may ask the court to refer the originating Application to the district of your domicile or residence, or of your elected domicile or the district designated by an agreement with the plaintiff.

If the application pertains to an employment contract, consumer contract or insurance contract, or to the exercise of a hypothecary right on an immovable serving as your main residence, and if you are the employee, consumer, insured person, beneficiary of the insurance contract or hypothecary debtor, you may ask for a referral to the district of your domicile or residence or the district where the immovable is situated or the loss occurred. The request must be filed with the special clerk of the district of territorial jurisdiction after it has been notified to the other parties and to the office of the court already seized of the originating application.

Transfer of application to Small Claims Division

If you qualify to act as a plaintiff under the rules governing the recovery of small claims, you may also contact the clerk of the court to request that the application be processed according to those rules. If you make this request, the plaintiff's legal costs will not exceed those prescribed for the recovery of small claims.

Calling to a case management conference

Within 20 days after the case protocol mentioned above is filed, the court may call you to a case management conference to ensure the orderly progress of the proceeding. Failing this, the protocol is presumed to be accepted.

Exhibits supporting the application

In support of the Application for Authorization to Institute a Class Action and to Appoint the Status of Representative Plaintiff, the Applicant intends to use the following exhibits:

Exhibit P-1: Copy of Quebec Business Registry for Loop Industries Inc.;

Exhibit P-2: Copy of LOOP's October 2020 public filing with the United States Securities and Exchange Commission;

Exhibit P-3: Copy of Quebec Business Registry for Loop Canada Inc.;

Exhibit P-4: Copy of Business Insider article titled "*Loop Industries plummets 39% after a short-seller report claims its plastic-recycling technology doesn't work*" dated October 13, 2020;

Exhibit P-5: Copy of the Hindenburg Report dated October 13, 2020;

Exhibit P-6: Copy of Applicant's purchase confirmation of 300 LOOP shares on June 18, 2018;

Exhibit P-7: Value of Applicant's 300 LOOP shares on October 13, 2020.

These exhibits are available on request.

Notice of presentation of an application

If the application is an application in the course of a proceeding or an application under Book III, V, excepting an application in family matters mentioned in article 409, or VI of the Code, the establishment of a case protocol is not required; however, the application must be accompanied by a notice stating the date and time it is to be presented.

Montreal, October 13, 2020

(s) LPC Avocat Inc.

LPC AVOCAT INC.

Mtre Joey Zukran

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NOTICE OF PRESENTATION
(articles 146 and 574 al. 2 N.C.P.C.)

TO: LOOP INDUSTRIES INC.
480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

LOOP CANADA INC.
480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

LOOP INDUSTRIES INC.
480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

DANIEL SOLOMITA
480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

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Terrebonne, Quebec, J6Y 1Y4

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480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

NELSON GENTILETTI
480 Fernand-Poitras Street
Terrebonne, Quebec, J6Y 1Y4

DEFENDANTS

TAKE NOTICE that Applicant's *Application for Authorization to Institute a Class Action* will be presented before the Superior Court at **25, rue de Martigny Ouest Saint-Jérôme (Québec), J7Y 4Z1**, on the date set by the coordinator of the Class Action chamber.

GOVERN YOURSELVES ACCORDINGLY.

Montreal, October 13, 2020

(s) LPC Avocat Inc.

LPC AVOCAT INC.

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(Class Action)
SUPERIOR COURT OF QUEBEC
DISTRICT OF TERREBONNE

 LEVY

Applicant

-VS.-

LOOP INDUSTRIES INC.
ET ALS.

Defendants

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FOR AUTHORIZATION TO BRING AN ACTION PURSUANT TO
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COPY

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